

Statistical bulletin

# Business demography, UK: 2015

Change in the number of UK businesses broken down by sector of the economy.



Contact:  
Karen Watkins  
idbrdas@ons.gsi.gov.uk

Release date:  
23 November 2016

Next release:  
To be announced

## Table of contents

1. [Main points](#)
2. [Things you need to know about this release](#)
3. [Business births and deaths, 2010 to 2015](#)
4. [Business births and deaths by broad industry group](#)
5. [Business births and deaths by UK region](#)
6. [Business survivals](#)
7. [Focus on employer demography](#)
8. [Quality and Methodology](#)
9. [Background notes](#)

# 1 . Main points

The number of UK business births increased by 9.3% from 351,000 to 383,000 between 2014 and 2015, a birth rate of 14.3% compared with a rate of 13.7% in 2014.

The 383,000 business births in 2015 were the highest recorded since comparable records began in 2000.

The number of UK business deaths increased by 2.1% from 247,000 to 252,000 between 2014 and 2015, a death rate of 9.4% compared with a rate of 9.7% in 2014.

London was the region with the highest birth rate at 18.6% and the highest death rate at 10.5%.

In broad industry terms, business administration and support services had the highest business birth rate at 20.4% and finance and insurance had the highest death rate at 13.3%.

## 2 . Things you need to know about this release

The starting point for the calculation of business demography data is the concept of active businesses in a reference year. These are defined as businesses that had either turnover or employment at any time during the reference period. New business registrations are referred to as business births and the birth rate is calculated using the number of births as a proportion of the active businesses.

In 2015, there were 383,000 business births in the UK. The birth rate increased from 13.7% to 14.3% between 2014 and 2015.

Businesses that have ceased to trade (identified through de-registration of the administrative units, that is, VAT and Pay As You Earn (PAYE)) are referred to as business deaths and the death rate is calculated using the number of deaths as a proportion of the active businesses. The number of business deaths in the UK was 252,000. The death rate decreased from 9.7% to 9.4% between 2014 and 2015, the lowest death rate in the UK since 2006.

For the purpose of this release the term “business” is used to represent an enterprise. An enterprise can be defined as the smallest combination of legal units (generally based on VAT and/or PAYE records) that is an organisational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations. An enterprise may be a sole legal unit.

Please note that all data are rounded to protect confidentiality. The figures in the tables are rounded individually therefore the sum of component items may be slightly different to the totals shown.

## 3 . Business births and deaths, 2010 to 2015

Figure 1 shows that since 2011 the rate of business births has exceeded the rate of deaths. In recent years, the gap widened and in 2015, businesses were born at a rate which was 4.9 percentage points higher than the death rate. This reflects a continued turnaround from the economic downturn of 2008 and 2009 when businesses faced uncertainty around the economic outlook and constrained access to finance as the financial sector adjusted to the global shock.

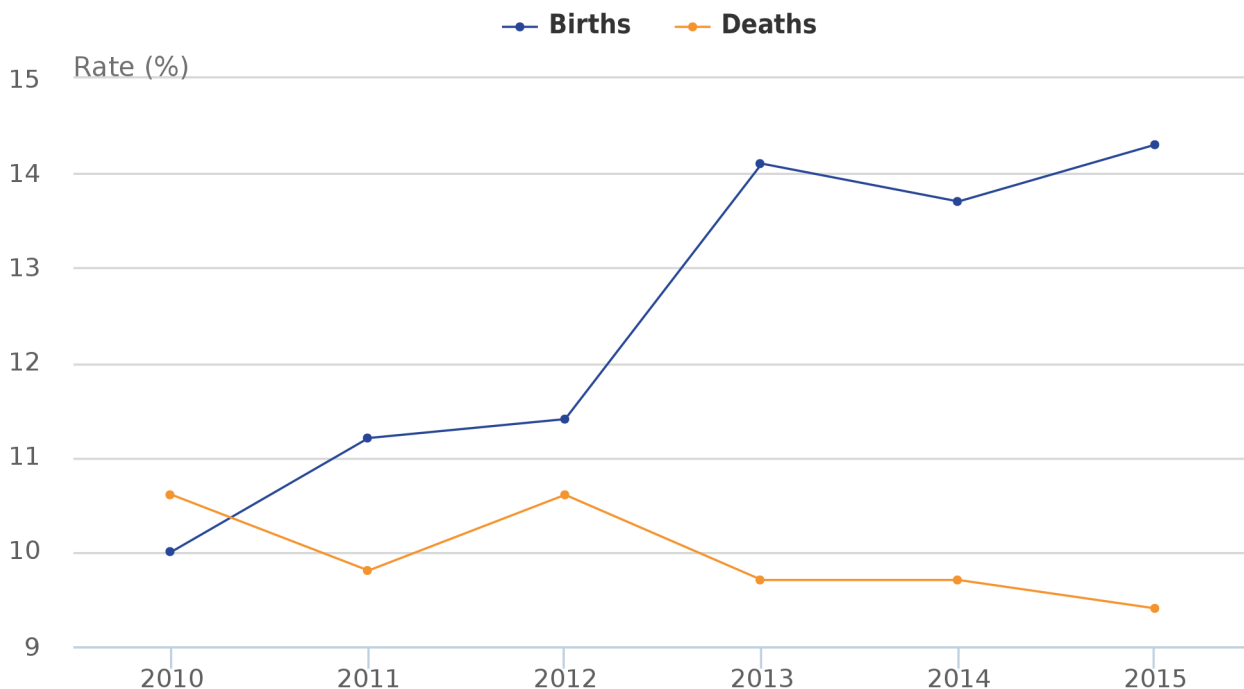
The strengthening in the rate of business births is consistent with the strengthening of the labour market from an employment rate of 70.1% in September 2011 to 74.1% at the end of 2015. The [March 2016 Economic Review](#) highlighted the strength of the labour market and employment rate in 2015. As the labour market began to recover in 2012, job-to-job moves – an indicator of labour market confidence – rose sharply and this improvement may have given workers the confidence they need to move between employers and also the confidence to start new businesses.

The broader economic backdrop also likely supported business creation with growth in gross domestic product (GDP) continuing for a sixth successive year in 2015. The most recent data shows that the rate of business births has risen to 14.3% in 2015, its highest level since comparable records began in 2000. The rate of business deaths has fallen to 9.4%, down from 9.7%, the lowest level since 2006.

Alongside recent trends in economic growth and the strengthening in the labour market, the improvement in both survival and birth rates in recent years could be attributed to lower interest rates and the fall in oil prices which have reduced financing and input costs for businesses.

**Figure 1: Birth and death rates of businesses**

UK, 2010 to 2015



Source: Office for National Statistics

There were approximately 2.67 million active businesses in the UK during 2015, an increase of 121,000 on 2014. Estimates for 2015 are available in greater geographical and industrial detail from the [tables published](#) on our website.

**Table 1: Business birth and death rates, UK, 2010 to 2015**

	Counts given to the nearest thousand				
	Active	Births		Deaths	
	Count	Count	Rate (%)	Count	Rate (%)
2010	2,351	235	10.0	249	10.6
2011	2,343	261	11.2	230	9.8
2012	2,373	270	11.4	252	10.6
2013	2,449	346	14.1	237	9.7
2014	2,551	351	13.7	247	9.7
2015	2,672	383	14.3	252	9.4

Source: Office for National Statistics

Notes:

1. The deaths counts provided in this table for 2014 and 2015 are provisional, for more details please refer to the background notes.

## 4 . Business births and deaths by broad industry group

In 2015, the highest rate of business births continued to occur in business administration and support, at 20.4%, compared with a rate of 20.7% in 2014. The second-highest rate occurred in transport and storage at 20.3%, compared with 17.5% in 2014.

Within the overall number of business births, professional, scientific and technical had the largest number of businesses at 81,000. Within professional, scientific and technical, the largest contributing industry was management consultancy activities, with 36,000 births (this was an increase of 6,000 on the 2014 figure).

The highest business death rate, at 13.3%, was finance and insurance. This was followed by business administration and support, at 10.8%, compared with 11.2% in 2014. Within the overall number of business deaths, professional, scientific and technical had the largest number, at 50,000 (of which 18,000 came from management consultancy activities) followed by construction, at 31,000.

**Table 2: Business birth and death rates by broad industry group, UK, 2015**

	Counts given to the nearest thousand				
	Active	Births		Deaths	
	Count	Count	Rate (%)	Count	Rate (%)
Production	164	20	12.4	13	7.8
Construction	335	49	14.6	31	9.3
Motor trades	79	7	9.1	6	7.6
Wholesale	117	10	8.9	10	8.7
Retail	216	23	10.7	22	10.1
Transport and storage (inc. postal)	101	21	20.3	10	9.8
Accommodation and food services	171	24	14.3	21	12.4
Information and communication	230	37	16.0	21	9.2
Finance and insurance	43	6	14.8	6	13.3
Property	107	13	12.2	8	7.3
Professional, scientific and technical	512	81	15.8	50	9.8
Business administration and support services	252	51	20.4	27	10.8
Education	41	5	11.8	3	8.2
Health	120	15	12.9	8	6.9
Arts, entertainment, recreation and other services	185	19	10.4	15	8.1
<b>Total</b>	<b>2,672</b>	<b>383</b>	<b>14.3</b>	<b>252</b>	<b>9.4</b>

Source: Office for National Statistics.

Notes:

1. The deaths counts provided in this table are provisional. For more details please refer to the background notes.
2. Please note that figures are rounded individually therefore the sum of component items may be slightly different to the totals shown.

## 5 . Business births and deaths by UK region

Within the regions, London had the highest business birth rate at 18.6%, followed by the East Midlands (14.4%) and North West and West Midlands (14.1%). Northern Ireland had the lowest birth rate, at 9.7%.

The region with the highest business death rate was London at 10.5%, followed by the North West, at 9.9%. The highest number of births and deaths were in London, at 101,000 and 57,000 respectively. Northern Ireland had the lowest death rate, at 7.1%.

**Table 3: Business birth and death rates by region, UK, 2015**

Counts given to the nearest thousand

	Active	Births		Deaths	
	Count	Count	Rate (%)	Count	Rate (%)
North East	71	10	13.6	7	9.6
North West	260	37	14.1	26	9.9
Yorkshire and The Humber	184	25	13.8	17	9.5
East Midlands	176	25	14.4	16	9.1
West Midlands	208	29	14.1	19	9.1
East	265	35	13.4	24	9.0
London	541	101	18.6	57	10.5
South East	420	56	13.2	38	9.0
South West	222	26	11.8	19	8.7
Wales	95	12	12.1	9	9.1
Scotland	173	22	12.6	16	9.4
Northern Ireland	56	5	9.7	4	7.1
<b>Total</b>	<b>2,672</b>	<b>383</b>	<b>14.3</b>	<b>252</b>	<b>9.4</b>

Source: Office for National Statistics

Notes:

1. The deaths counts provided in this table are provisional. For more details please refer to the background notes.
2. Please note that figures are rounded individually therefore the sum of component items may be slightly different to the totals shown.

## 6 . Business survivals

The UK 5-year survival rate for businesses born in 2010 and still active in 2015 was 41.4%.

By region, the highest 5-year survival rate was in the South West, at 44.2%, while the lowest was in London, at 39.3%.

By broad industry, some notably high 5-year survival rates include health, with a survival rate of 48.1% and property, with a survival rate of 47.7%. Business administration and support services were the lowest, with only 31.0% of businesses surviving for 5 years.

Survival rates are available from 1-year to 5-year in greater geographical and industrial detail via the [tables published](#) on our website.

**Table 4: Survival rates of businesses born between 2010 and 2014, UK**

	Rate (%)				
	Births 2010	Births 2011	Births 2012	Births 2013	Births 2014
1-year survival	86.7	93.1	91.2	93.5	92.2
2-year survival	72.5	75.6	73.8	75.0	:
3-year survival	57.1	60.5	59.4	:	:
4-year survival	48.1	51.0	:	:	:
5-year survival	41.4	:	:	:	:

Source: Office for National Statistics

Notes:

1. The symbol : denotes not available.

## 7 . Focus on employer demography

An alternative measure of business demography uses “employer businesses” – businesses with at least 1 employee. This was introduced as a result of the joint [Eurostat-OECD Entrepreneurship Indicators Programme \(EIP\)](#).

The employer business demography data collection was set up to enable the collection of internationally comparable statistics. It is regulated by law in the European Statistical System and forms the most important data source for the entrepreneurial performance indicators.

The employer business birth rate, as a proportion of all active employer businesses, for 2015 was 15.2% and the employer business death rate for 2015 was 9.2%.

### Breakdown by broad industry group

When looking at the breakdown by activity, the highest employer business birth rate for 2015 was recorded in transport and storage, at 22.5%, followed by business administration and support services at 21.6%.

The highest employer business death rate for 2015 was recorded by accommodation and food services, at 12.6%, followed by finance and insurance at 12.2%.

**Table 5: Employer demography<sup>1</sup>, birth and death rates by broad industry group, UK, 2015**

	Counts given to the nearest thousand				
	Active	Births		Deaths	
	Count	Count	Rate (%)	Count	Rate (%)
Production	149	19	13.1	11	7.6
Construction	285	43	15.0	24	8.5
Motor trades	66	7	10.0	5	7.4
Wholesale	104	10	9.3	9	8.4
Retail	185	21	11.5	18	9.6
Transport and storage (inc. postal)	82	19	22.5	8	9.4
Accommodation and food services	165	24	14.6	21	12.6
Information and communication	219	36	16.5	19	8.9
Finance and insurance	42	7	18.0	5	12.2
Property	86	12	13.7	7	7.6
Professional, scientific and technical	467	79	16.9	46	9.8
Business administration and support services	234	51	21.6	26	10.9
Education	39	5	11.8	3	7.9
Health	119	15	13.0	8	6.9
Arts, entertainment, recreation and other services	163	18	11.2	13	7.9
<b>Total</b>	<b>2,406</b>	<b>366</b>	<b>15.2</b>	<b>222</b>	<b>9.2</b>

Source: Office for National Statistics.

Notes:

1. See background note 13

2. Please note that figures are rounded individually therefore the sum of component items may be slightly different to the totals shown.

## Breakdown by region

Within the regions, London had the highest employer business birth and death rate at 19.5% and 10.3% respectively, with Northern Ireland having the lowest birth and death rates, at 11.1% and 6.8% respectively.



**Table 6: Employer demography<sup>1</sup>, birth and death rates by region, UK, 2015**

	Counts given to the nearest thousand				
	Active	Births		Deaths	
	Count	Count	Rate (%)	Count	Rate (%)
North East	65	9	14.2	6	9.5
North West	237	35	14.8	23	9.6
Yorkshire and The Humber	165	24	14.6	15	9.2
East Midlands	158	24	15.4	14	8.8
West Midlands	187	28	15.1	16	8.8
East	237	34	14.2	21	8.8
London	499	97	19.5	52	10.3
South East	377	53	14.0	33	8.8
South West	194	24	12.6	16	8.4
Wales	83	11	12.9	8	9.1
Scotland	157	21	13.2	15	9.3
Northern Ireland	47	5	11.1	3	6.8
<b>Total</b>	<b>2406</b>	<b>366</b>	<b>15.2</b>	<b>222</b>	<b>9.2</b>

Source: Office for National Statistics

Notes:

1. See background note 13

2. Please note that figures are rounded individually therefore the sum of component items may be slightly different to the totals shown.

## 8 . Quality and Methodology

The [Business Demography Quality and Methodology Information](#) document contains important information on:

- the strengths and limitations of the data and how it compares with related data
- users and uses of the data
- how the output was created
- the quality of the output including the accuracy of the data

## 9. Background notes

1. To support this release a set of [datasets](#) in greater geographical and industrial detail have been produced and are available on our website.

2. It is possible to get multiple business registrations at a single address and this can distort data for smaller geographical areas. An example of this is virtual offices; these enable businesses to work remotely by providing a range of business functions accessible through the internet. This concept enables businesses to maintain a presence in a desirable location without the need to pay rent for actual space.
3. Estimates presented in this release and the associated published tables are rounded to prevent disclosure. Differences may exist in totals across tables due to disclosure methods used.
4. In 2013, Her Majesty's Revenue and Customs (HMRC) information showed growing numbers of PAYE schemes and a rise in numbers of new scheme registrations. Those that were allied to company registration data fuelled an increase in numbers of enterprises on the business register. While the growth in PAYE schemes coincided with the introduction of the Real Time PAYE reporting system (RTI), HMRC have indicated there are no technical reasons associated with RTI alone which would have increased the number of enterprises on the register during the period. HMRC have no evidence of behavioural changes in the timing of PAYE scheme registrations through the year.
5. This release is produced from an extract taken from the Inter-Departmental Business Register (IDBR) recording the position of units as at November of the reference year, and excludes central government and local authorities. The data is produced using the guidelines found in the [Eurostat/OECD manual on Business Demography](#).
6. The main difference between this release and the statistics produced by Eurostat is that an adjustment has been made to the deaths data to allow for reactivations, which enables more accurate estimates to be published. Managed-service companies are excluded from this release. In previous years they were provided in the data sent to Eurostat.
7. Although the statistics in this release are derived from the IDBR, the total stock of active businesses is greater than the UK Business: Activity, Size and Location publication. This is mainly because the definition of an active business is based on activity at any point in the year, whereas UK Business: Activity, Size and Location is based on an annual snapshot at a point in time.
8. More information about how this release relates to other business population statistics and guidance on how to use each product can be found in the [Guide to the business population and demographics statistics publications](#).
9. In order to publish estimates within a year of the reference period, we have made an adjustment to the deaths figures in this release to allow for reactivations. Reactivations occur due to lags in the administrative sources (VAT/PAYE), which mean it is possible that a business that is continuing to trade can appear to cease on the IDBR. If an old VAT scheme is de-registered and there is a delay in the creation and/or matching of the new VAT scheme, it can leave the enterprise without a live administrative source resulting in it being automatically flagged as a death. Additionally, VAT-based units where turnover drops to zero are automatically made dead on IDBR, but will rebirth if turnover is then reported in a later period. These units will appear to move from the active stock into the death counts then come live again as births. In order to prevent distortion in these figures, those businesses that "reactivate" on the register within 2 years of death are treated as if they have continued to trade throughout the period.

10. We have departed from the Eurostat/OECD manual at this point. The manual recommends waiting for 2 years after the reference period to allow for reactivations before deaths are calculated. Instead, we have estimated the number of reactivations and adjusted the data accordingly this adjustment has been applied to all industries, by removing units from the death data. This can lead to different percentage adjustments at the lowest level of aggregation. Since the level of reactivations is subject to some uncertainty, the latest 2 years in the publication are considered to be provisional and subject to revision. Table 7 shows the adjustments made to the death data for reactivations.

**Table 7: Adjustment made to deaths figures to account for reactivation of businesses, UK, 2013 to 2015**

	Counts given to the nearest thousand						
	First estimate			Second estimate			Final estimate
	unadjusted	estimated reactivations	adjusted	unadjusted	estimated reactivations	adjusted	
2013	253	15	238	240	3	238	237
2014	262	16	246	250	3	247	:
2015	268	16	252	:	:	:	:

Source: Office for National Statistics

Notes:

1. The symbol : denotes not available

## 11. Managed service companies

Managed service companies have been excluded from this release. We exclude these companies from all outputs because they are registered at the address of a service company provider, and therefore distort the geographical location and industry of the businesses, as well as business demography changes. Table 8 shows the number of managed service companies excluded in each year.

12. [Comparable data for EU countries](#) are available via the Eurostat website. The UK totals published on the Eurostat website for reference years 2012 and earlier may differ slightly to those published here due to the treatment of managed service companies.

**Table 8: Number of managed service companies excluded from business demography, UK, 2010 to 2015**

	Counts given to the nearest thousand		
	Active	Births	Deaths
2010	29	2	12
2011	20	2	5
2012	15	1	3
2013	12	1	2
2014	11	1	2
2015	10	1	2

Source: Office for National Statistics

### 13. **Employer demography**

Business demography focuses on enterprise births and deaths, survival rates and active stock for all enterprises regardless of their sizes.

Data limited to “employer enterprises” – enterprises with at least 1 employee – has been introduced as a result of the joint [Eurostat-OECD Entrepreneurship Indicators Programme \(EIP\)](#).

Employer demography allows the measurement of movement between size classes (a non-employer enterprise that becomes an employer enterprise, or vice-versa). Employer enterprise births include new enterprises with at least 1 employee as well as existing non-employer enterprises that have become employer enterprises (entry by growth), while deaths are enterprises with at least 1 employee, that die, as well as enterprises that cease to employ staff (exit by decline).

### 14. **Revisions**

The latest 2 years’ estimates on births, deaths and survivals are subject to revision. Revisions would normally be made in the following year’s publication.

15. Details of the [policy governing the release of new data](#) are available from the [UK Statistics Authority website](#).